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Mr. Tolson

D'ELDONA GOLD MINES LIMITED

Annual Report

FOR THE YEAR
ENDED APRIL 30
1966

D'ELDONA GOLD MINES LIMITED

Incorporated under the laws of the Province of Ontario

CAPITAL	Authorized - - - - -	6,000,000 Shares
	Issued - - - - -	5,255,666 Shares
	Remaining in Treasury - - - - -	744,334 Shares

OFFICERS	E. FRANKLIN FURNISS - - - - -	<i>President</i>
	ROBERT BROWN - - - - -	<i>Vice-President</i>
	VICTOR H. HEDGES - - - - -	<i>Secretary-Treasurer</i>

DIRECTORS	BRUCE A. BLACKBURN	ROBERT BROWN
	MURRAY COOPER	E. FRANKLIN FURNISS
		VICTOR H. HEDGES

TRANSFER AGENT AND REGISTRAR	EASTERN & CHARTERED TRUST COMPANY - - - - -	Toronto
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BANKERS	ROYAL BANK OF CANADA - - - - -	Toronto
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AUDITORS	FISHER, NISKER & COMPANY - - - - -	Toronto
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SHARES LISTED	Toronto Stock Exchange
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HEAD OFFICE:	62 Richmond Street West, Toronto
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THE PRESIDENT'S REPORT

To the Shareholders:

I am pleased to be able to report that Falconbridge Nickel Mines Limited has notified your Company of its intention to proceed with further exploration of our Rouyn Township property for the third six month period under the terms of the agreement signed by our two companies in August of 1965. The new stage calls for underground exploration and development. The work of de-watering and preparing the three compartment shaft is already well advanced. In his letter of September 28 to your Company, Mr. G. T. N. Woodroffe, Vice-President of Falconbridge, outlined the following plan:

"Preparations are now underway to de-water the existing shaft, to extend lateral underground workings on the 500 foot and 850 foot levels and to carry on definition and exploratory drilling from these levels. It is estimated that the planned underground work will cost about \$680,000 and should be completed by the end of October, 1967. Of this amount, approximately \$360,000 will probably be expended by the end of next January. It should be pointed out that the program (and corresponding expenditures) may be modified from time to time in accordance with results obtained. These figures do not include any estimated expenditures on stope preparation or mill facilities."

Also submitted was an itemized statement of expenditures by Falconbridge showing that from August 16, 1965 to August 31, 1966 that company spent a total of \$220,223 in the surface exploration of your Company's property. Of the \$680,000 estimated by Mr. Woodroffe as the cost of the planned underground work over the next year to the end of October, 1967, approximately \$80,000 has already been spent.

Your management is very pleased with the decision to proceed with this aggressive program. It indicates that Falconbridge geologists and engineers have concluded, on the basis of the results of 28,333 feet of diamond drilling in 33 holes, that the extent of the ore zones and the values intersected are such as to warrant the expenditure of substantial sums of money. It is hoped these ore zones will be further extended by underground exploration.

In order to provide shareholders with a "close-up" view of the Falconbridge program as well as an outline and explanation of the geological environment encountered in the new zone of interest, your Company engaged Mr. K. H. Darke, Consulting Geological Engineer to visit the property and study at first hand all the available data in consultation with Falconbridge engineers. In his memorandum resulting from this study, Mr. Darke, concludes:

PRESIDENT'S REPORT

"Preliminary exploration on D'Eldona's property has shown the existence of high-grade pyrite-zinc lenses directly associated with the pyritized rhyolite breccia and chlorite alteration zones. All geological evidence indicates that there is an excellent chance that additional pyrite-zinc lenses will be found, and possibly pyrrhotite-copper orebodies as well at depth." (See also map in center pages.)

The area of present interest on the property, he notes, consists essentially of volcanic flows and breccias, tuffs, porphyry, and diorite dikes. He points out that these are the same rock types which contain all the known base metal sulphides zones throughout the general Noranda region.

Mr. Darke is of the opinion that it is too early to attempt to estimate tonnage at this point particularly since one of the deepest drill holes, No. F25, appears to indicate the top of a third ore lense. An indication of average grade, however, of the sulphide ore zones outlined by the diamond drilling has been made by consulting geologist P. Holly-Hime, P.Eng., who estimates 10.24% zinc, 5.82 oz. silver, 0.11 oz. gold, and 0.51% copper. The net recoverable metal values have been estimated at \$18.95 per ton.

Both the resident geologist for Falconbridge at Noranda, Mr. G. D. J. Boldy and Mr. Darke are in agreement that future exploration should be directed primarily to tracing out and testing the hangingwall (upper) side of the rhyolite breccia zone. It is a well known fact that the orebodies at Quemont, the nearest large producer, are directly related to a rhyolite breccia horizon. He also points out that the new orebody on your Company's property is directly associated with heavy chlorite alteration zones and massive pyrite concentrations. The presence of the chlorite alteration was a very important early indication to Falconbridge geologists that they were in an area favorable to the location of base metal sulphide zones since this is the general rule in the Noranda area. High-grade gold orebodies (with tellurides) have been found at Noranda in areas that have been intensely chloritized.

On the question of attempting a tonnage estimate at this stage, it is of importance to note that the general nature of the Noranda camp is to find a multitude of separate orebodies or lenses on each property. Noranda, for example, had 35 distinct orebodies.

THE UNDERGROUND PROGRAM

By drifting along both the 500 and 850 foot levels it is the intention of Falconbridge to explore the possible downward extension of the known ore-bearing horizons. It is planned to put in an extra hangingwall drift on the 850 foot level with diamond drill stations to be used to probe the downward extension of the horizon to 1,500 feet. The deepest ore intersection to date in the surface drilling is about 850 feet in hole No. F25.

PRESIDENT'S REPORT

OTHER PROPERTIES AND INTERESTS

Your Company continues to hold a 75% interest in one additional property, a 700-acre base metals and gold prospect in Beauchastel Township, Quebec. Other groups of claims previously held in Duprat Township, Quebec and Mahaffey Township, in the Timmins area of Ontario, have been dropped. Your Company maintains its interest in Bazeldo Mines Ltd., which in turn holds an 880-acre partly-developed gold property, also in Beauchastel Township.

FINANCIAL STATEMENT, ANNUAL MEETING

As may be seen by reference to the audited Financial Statement for the year ended April 30, 1966, your Company's working capital position stands at approximately \$153,000 which amount your Board considers adequate to meet our requirements for the immediate future. No new financing is contemplated at this time. If, however, the new company is formed under the terms of the option agreement with Falconbridge (in which your Company would hold a 49% interest) to bring the Rouyn property to production, your Company will be called upon at that point to participate on a pro rata basis in financing further exploration and development up to the point of production, if warranted.

The Annual Meeting of shareholders will be held in Toronto on Monday, October 24, 1966, at the time and place noted in the accompanying Notice of Meeting. Particularly because of the splendid progress which has been made by Falconbridge in this new exploration of your Company's property, and because of the potential which we can now see emerging, I would hope that we will have a good attendance at this meeting. In the event you are unable to attend the forthcoming Annual Meeting of our shareholders, you are requested to sign and return the enclosed proxy to ensure your representation at the meeting.

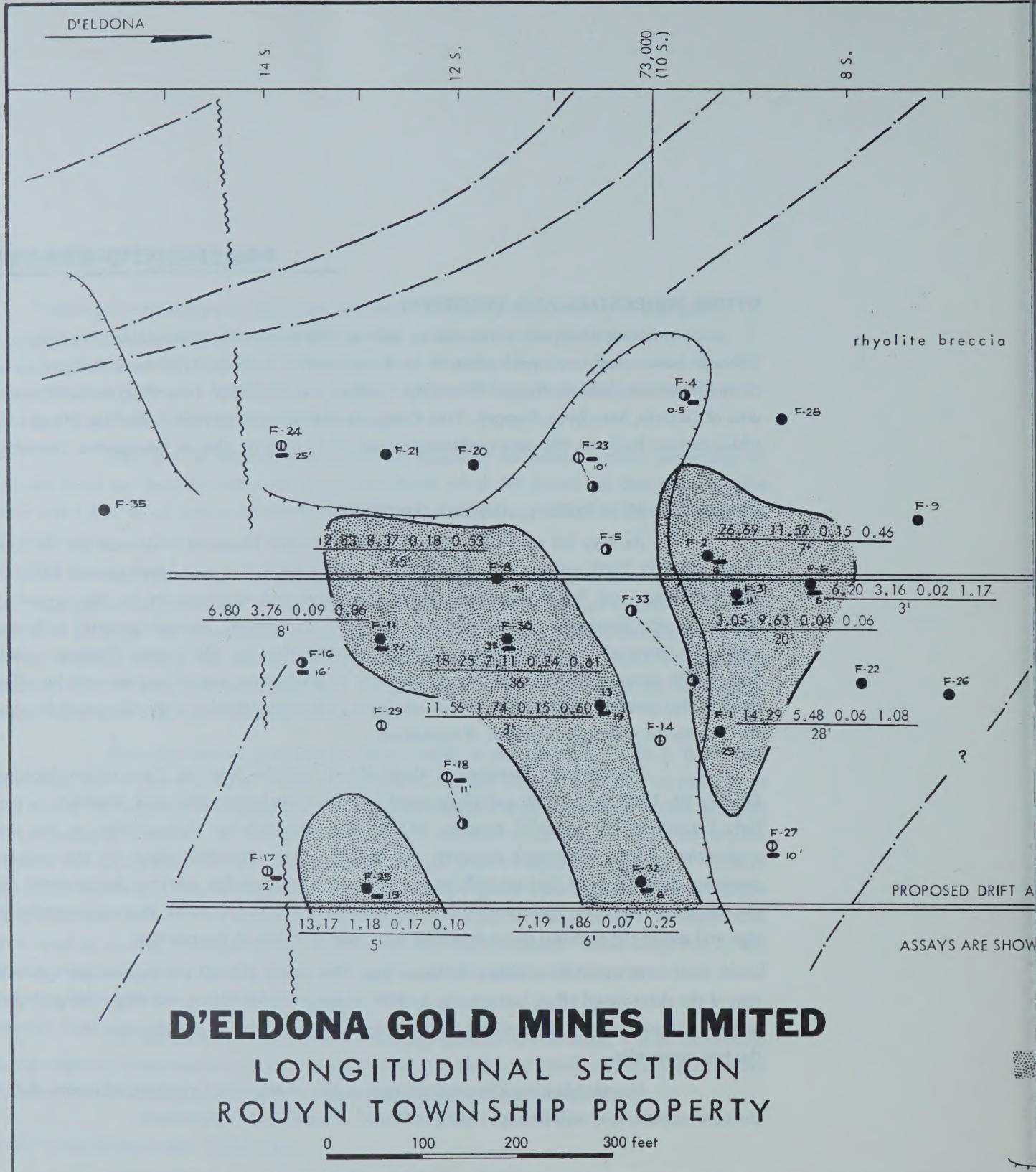
It would be a serious omission from this report if I did not express our appreciation of the determined effort being made by Falconbridge Nickel Mines, the skill of its geologists and the harmonious and co-operative relationship which exists at the management level between the two companies.

Shareholders may be assured that as the underground program advances during the coming year, they will be kept closely informed of significant developments.

On behalf of the Board of Directors,

October 3, 1966.

E. Franklin Furniss
President



SUMMARY AND CONCLUSIONS

From the Memorandum of Oct. 1, 1966

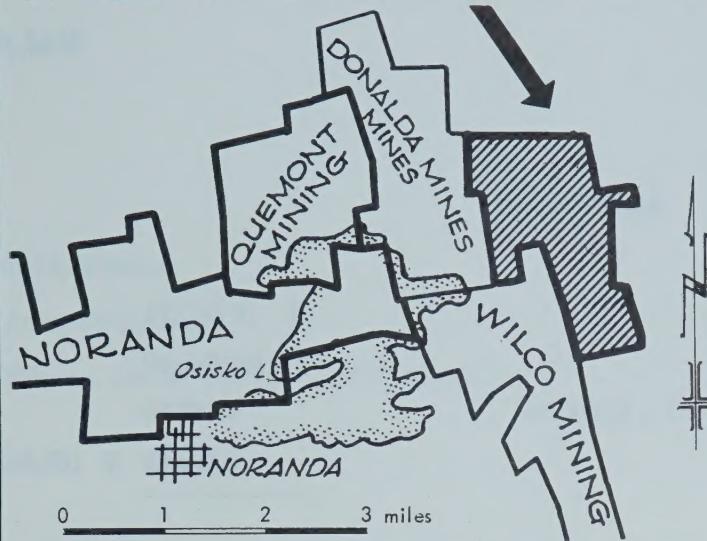
by K. M. DARKE, Consulting Geological Engineer

SUMMARY:

1. Rock types present on D'Eldona's property are equivalent to those that are found on neighbouring producing mines.
2. The ore-bearing horizon, Rhyolite Breccia hangingwall, is the same rock type that contains the ore at Quemont — the nearest large mine.
3. The same type of heavy chlorite alteration that is found directly associated with the base metal sulphide orebodies in the general Noranda area is found with the D'Eldona ore lenses.
4. The deepest drill hole to intersect ore on D'Eldona's property seems to indicate the top of a new ore lense, therefore, established tonnages of ore should increase.

NORTH

LOCATION of D'ELDONA in ROUYN TOWNSHIP - QUEBEC



PROPOSED DRIFT AT 500' LEVEL

Intrusive rhyolite porphyry sheet cutting
hanging-wall breccia and ore zone

0' LEVEL

S FOLLOWS: % zinc Ounces silver Ounces gold % copper
True width in feet

LEGEND

- Ore
- 1 to 5% zinc
- Less than 1% zinc
- Chlorite alteration limit

5. Several of the mines in the Noranda area had high grade Pyrite-Zinc ores near surface, as D'Eldona presently has, and high grade Pyrrhotite-Copper ore at depth.

6. All the producing mines in the Noranda area found a multitude of separate orebodies or lenses on their properties.

7. The presence of an existing shaft on D'Eldona's property could cut initial mining costs drastically, as could its proximity to existing mill facilities cut possible ore treatment costs.

8. The proposed underground exploration program by Falconbridge is not expected to be completed before the end of 1967.

SHAFT (TO BE UNWATERED TO 850' LEVEL)

rhyolite breccia

CONCLUSIONS:

Preliminary exploration on D'Eldona's property has shown the existence of high grade pyrite-zinc lenses directly associated with pyritized Rhyolite Breccia and chlorite alteration zones. All geological evidence indicates that there is an excellent chance that additional pyrite-zinc lenses will be found, and possible pyrrhotite-copper orebodies as well at depth.

D'ELDONA GOLD

(Incorporated under the laws of)

BALANCE SHEET**ASSETS****Current assets:**

Cash.....	\$ 57,973.71
Short-term deposits.....	100,000.00
Province of Ontario bonds, at cost (market value \$5,000.00).....	5,065.00
Accrued interest.....	2,202.45
	\$ 165,241.16

Investments:

Shares in other mining companies, at cost (market value \$28,350.00).....	\$ 36,429.00
999,997 shares of Bazeldo Mines Limited, at cost.....	2,050.00
	38,479.00

Fixed assets (Note 1):

Mining claims at \$241,921.00 attributed to 353,333 shares of the company's capital stock (as presently constituted) issued for the claims plus \$29,000.00 paid in cash.....	\$ 270,921.00
Equipment, at nominal value.....	1.00
	270,922.00

Deferred expenditures and other assets:

Exploration, development and administrative expenditures, per statement..	\$ 788,696.80
Receivable from other mining companies (Note 2).....	6,215.41
Incorporation and recapitalization expenses.....	7,465.26
	802,377.47
	\$1,277,019.63

Approved on behalf of the Board of Directors:

E. F. FURNISS, Director
V. HEDGES, Director

MINES LIMITED

(The Province of Ontario)

S AT APRIL 30, 1966

LIABILITIES

Current liabilities:

Accounts payable.....	\$ 2,949.78
Balance due on purchase of investments.....	8,920.20 \$ 11,869.98

Capital and deficit:

Capital stock:

Authorized:

6,000,000 shares, par value \$1.00 each

Issued and fully paid:

4,655,666 shares at April 30, 1965.....	\$4,655,666.00
Less — discount.....	2,521,650.00 \$2,134,016.00
600,000 shares issued during year for cash.....	\$ 600,000.00
Less — discount.....	465,000.00 135,000.00
<u>5,255,666 shares.....</u>	<u>\$2,269,016.00</u>

Deficit, per statement.....	1,003,866.35	1,265,149.65
		<u>\$1,277,019.63</u>

The accompanying notes are an integral part of the financial statements.

D'ELDONA GOLD MINES LIMITED

DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES FOR THE YEAR ENDED APRIL 30, 1966

Balance April 30, 1965.....				\$781,679.38
Additions during year:				
Exploration expenditures:				
Engineers' and geologists' fees and expenses.....				\$ 5,584.03
Government fees and licenses.....				858.49
Equipment rental.....				225.00
Insurance.....				202.50 \$ 6,870.02
Administrative expenses:				
Secretarial and accounting services.....				\$ 4,350.00
Transfer agent's fees and expenses.....				4,683.75
Legal and audit fees.....				2,475.00
Shareholders' information and publicity.....				910.35
Directors' fees.....				1,550.00
Officer's remuneration.....				5,666.68
Shareholders' meeting expenses.....				818.89
Stock exchange fees and expenses.....				360.06
Travel expense.....				553.75
Miscellaneous.....				913.34
				<hr/>
				\$22,281.82
Less – interest earned.....			2,692.00	19,589.82 26,459.84
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Less – expenses recoverable from Bazeldo Mines Limited.....				\$ 4,448.93
– exploration and administrative expenses incurred on claims abandoned – written off to deficit.....				14,993.49 19,442.42
				<hr/>
Balance April 30, 1966.....				\$788,696.80
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STATEMENT OF DEFICIT FOR THE YEAR ENDED APRIL 30, 1966

Balance April 30, 1965.....				\$ 976,166.46
Additions during the year:				
Cost of mining claims abandoned.....				
Exploration and administrative expenses incurred thereon.....				\$13,767.50 14,993.49 28,760.99
				<hr/>
Less – profit from sale of investments.....				\$1,004,927.45 1,061.10
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Balance April 30, 1966.....				\$1,003,866.35
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D'ELDONA GOLD MINES LIMITED

NOTES TO FINANCIAL STATEMENTS — APRIL 30, 1966

Note 1 — Agreement with Falconbridge Nickel Mines Limited re Rouyn Township claims

By agreement dated August 26, 1965, the company granted an option to Falconbridge Nickel Mines Limited to explore the company's claims in Rouyn Township, Quebec, over five periods of six months duration each. During the first period Falconbridge undertakes to spend \$25,000.00 on exploration work. Within thirty days after this period, and all subsequent periods, Falconbridge is to give notice of its intentions to continue exploration work, and if work is to continue Falconbridge undertakes to spend the following sums:

- (a) \$ 50,000.00 during the second period
- (b) 100,000.00 during the third period
- (c) 100,000.00 during the fourth period
- (d) 225,000.00 during the fifth period

After expending a total of \$500,000.00 Falconbridge may cause a company to be formed having an authorized capital of 5,000,000 shares of \$1.00 par value each, of which 750,000 shares are to be issued. D'Eldona is to receive 49% of the said issued capital (367,500 shares), and Falconbridge is to receive 51% (382,500 shares). All the mining claims are to be transferred to the new company, and future exploration and development costs are then to be shared pro rata by both D'Eldona and Falconbridge to the extent of the interests held by each.

Note 2 — Receivable from other mining companies

These mining companies are not in a position at the present time to repay the \$6,215.41. Collectibility is dependant upon the success attained by them in the development of their mining properties or upon future financing.

AUDITORS' REPORT

To the Shareholders of
D'ELDONA GOLD MINES LIMITED

We have examined the balance sheet of D'Eldona Gold Mines Limited as at April 30, 1966 and the statements of deferred exploration, development and administrative expenditures and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of deferred exploration, development and administrative expenditures and deficit present fairly the financial position of the company as at April 30, 1966 and its activities for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**FISHER, NISKER & COMPANY
Chartered Accountants.**

Toronto, Ontario,
August 23, 1966.

